



SCOTTISH
FUTURES
TRUST

2018/19
BUSINESS PLAN



Achievements and Key Milestones

During 2017/18, the Scottish Futures Trust (SFT) continued to work collaboratively with many partners across the public and private sectors to drive efficiencies and improved outcomes across public sector infrastructure.

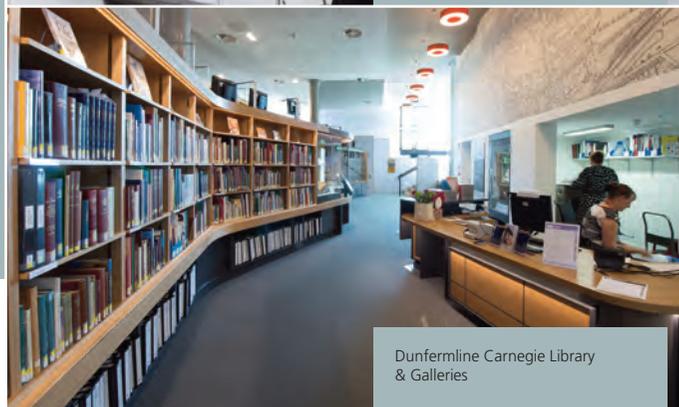
In doing so, we secured savings and benefits of £138m and we remain on track to deliver Scottish Government's ambitious target of £500-750m of savings over a five year period.



Staff at Scottish Funding Council embracing new ways of working



Pupils at Barrhead High School, East Renfrewshire



Dunfermline Carnegie Library & Galleries



SFT build



SFT connect



SFT green



SFT home



SFT invest



SFT place

We are proud of our achievements and the wider benefits delivered for communities throughout Scotland, such as:

- SFT build - high quality design enhancing people's lives:** The hub programme's Dunfermline Carnegie Library & Galleries project (front cover image) received the Andrew Doolan "Best Building in Scotland" Award from the Royal Incorporation of Architects in Scotland
- SFT build - inspiring learning spaces for young people:** Our team managed and is sharing learning from the £5m Inspiring Learning Spaces fund to develop small-scale, high-impact learning spaces across Scotland which promote change
- SFT place - protecting jobs and supporting SMEs:** Public bodies using the hub programme have in total commissioned over 184 community facilities, with 35 completed in 17/18; supporting over 5,300 jobs and with 77% of work going to Scottish SMEs
- SFT place - driving a one public sector approach:** SFT and Angus Council established a regional collaborative programme which is bringing partners together to deliver efficiencies and find better ways of getting the most from their assets
- SFT place - increasing economic activity:** Working with partners, we secured £26m from surplus properties and created development sites for investors and house builders
- SFT invest - securing investment in Scotland:** The Fife Tax Incremental Financing project has reached agreement and will see £10m of public sector investment unlock up to £30m of private investment
- SFT home - delivering affordable homes:** Our innovative and award-winning housing programmes have secured the provision of over 3,300 mid-market rent homes (totalling over £500m of additional investment), with more than half of them already built and occupied
- SFT green - carbon and cost savings across Scotland:** Our Street Lighting programme has seen 43% of Scotland's 900,000 street lamps replaced by energy-efficient LEDs, helping councils save over 50,000 tonnes of CO2 and £20m a year
- SFT green - effective collaborative procurement:** Over half of Scotland's local authorities have utilised the Energy Performance Framework in its first 18 months of operation to deliver energy efficiency projects with guaranteed savings
- SFT connect - digital inclusion for rural communities:** Working closely with Scottish Government, we have led the £25m 4G mobile mast programme into procurement
- SFT connect - enabling the digital economy:** We have worked with key industry partners to manage the delivery of enhanced internet exchange capability that has attracted new entrants to the Scottish market

Introduction

“I am delighted to present my first Business Plan as chief executive of the Scottish Futures Trust.”

This is the company’s tenth annual plan and it leads into our third, five-year corporate planning cycle.

In the three months since my appointment I have worked with the SFT Leadership Team to refresh our corporate objectives which are intended to direct the efforts of the business and bind together our role as Scotland’s public sector infrastructure centre of expertise. Our 2018/19 corporate objectives are to:

- Enhance longer-term planning for future infrastructure investment
- Innovate to secure new ways of funding, financing and delivering infrastructure
- Structure and deliver infrastructure programmes in collaboration with partners
- Improve the management and effective use of existing infrastructure assets

We never work alone in progressing these objectives as responsibility for policy sits with Scottish Government; asset acquisition and stewardship sits with public bodies across Scotland and construction is primarily a private sector role. Our team of experts is able to bring a complete focus on assets, infrastructure and development with a view across Scotland’s geographies on different types of infrastructure, spanning both the public and private sectors. This is a unique perspective which we are

fortunate to have and which allows us to drive long-term public value and vibrant conditions for industry and the economy across a number of infrastructure sectors.

The environment is, as ever, changing. SFT is a dynamic organisation made to embrace that change and on page five of this Business Plan some of our emerging areas of work are set out. Throughout the year we will continue to engage with our stakeholders on our longer-term priorities. I, along with all members of SFT’s Leadership Team who will be leading this work, would welcome your thoughts to help us formulate another ambitious five-year plan. Our contact details are on the inside back cover of this Business Plan.

This Business Plan sets out the activities we will undertake this year, working with our partners to drive forward innovation, broker collaboration and share best practice in pursuit of our vision of *World Class Infrastructure for the People of Scotland*.

I am very much looking forward to it.



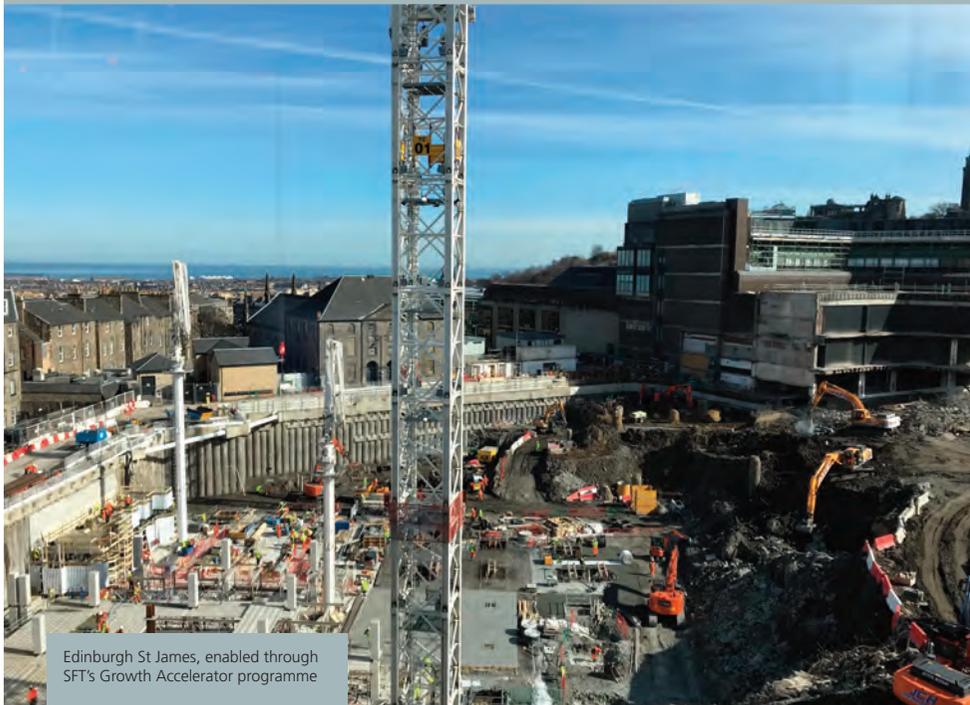
Peter Reekie
Chief Executive



Pupils and staff at Marr College, South Ayrshire

OUR AIM

“to improve the efficiency and effectiveness of infrastructure investment and use in Scotland by working collaboratively with public bodies and industry, leading to better value for money and ultimately improved public services, while maintaining a clear focus on supporting long-term economic growth.”



Edinburgh St James, enabled through SFT's Growth Accelerator programme

Corporate

This is the SFT's 2018/19 Business Plan, our tenth since being established by Scottish Government in 2008 as an arm's-length, public sector infrastructure company.

Our Business Plan sets out planned activities across our workstreams and highlights new and emerging opportunities we are exploring to secure savings and increase economic and wider benefit across Scotland.

Reflecting the ever-changing environment we work in and the shifting priorities across the public sector, over the years we have evolved and moved into new areas such as 4G mobile digital infrastructure and Building Information Modelling where our expertise and knowledge can be put to best use. Regardless of the changes, there has always been one constant - our aim. It remains the same today as it did back in 2008:

“to improve the efficiency and effectiveness of infrastructure investment and use in Scotland by working collaboratively with public bodies and industry, leading to better value for money and ultimately improved public services, while maintaining a clear focus on supporting long-term economic growth.”

Working towards that aim we employ over 80 talented staff. Our programme teams include architects, surveyors, low carbon and telecoms specialists, designers, economists, civil engineers, accountants, lawyers, project managers, commercial property professionals and financiers. These professionals, strengthened by an agile corporate support team, are wholly dedicated to delivering the aim we have been set.

SFT's work is funded by a core grant from Scottish Government, elements of which come from particular portfolio programme budgets where we have distinct responsibilities. This operating grant of around £9m is supplemented by £1.5m of returns from infrastructure investments in projects across the hub community infrastructure programme and supplementary income from activities, all as shown in the Budget section on page 12 of this Plan.

SFT's sole shareholder is the Scottish Ministers and our activity is overseen by the Cabinet Secretary for Finance and the Constitution with whom our Board and chief executive meet regularly. The Board, chaired by Ian Russell, sitting with four other experienced nonexecutive directors as well as our chief executive, is operationally independent and is responsible for developing and delivering this Business Plan.

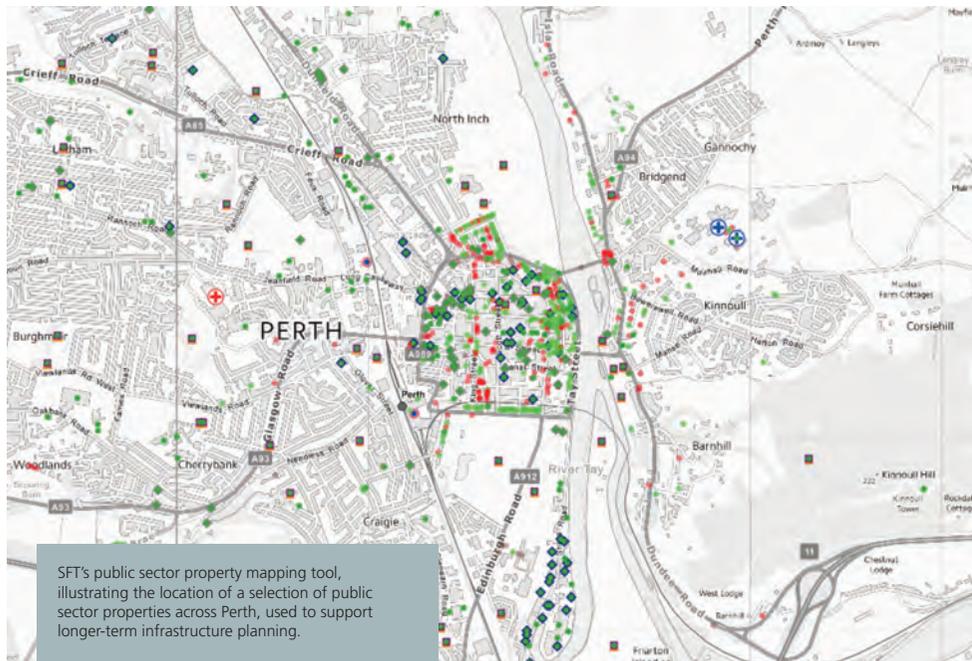
The following pages set out our emerging priorities and the very substantial areas across our six existing work streams of Build, Place, Invest, Home, Green and Connect where we will apply our skills and expertise to drive inclusive economic growth across Scotland during 2018/19.

Emerging Priorities

We are now increasingly engaged in enabling broader development and investment in Scotland's built environment and in the longer-term strategic planning of investment priorities.

Much of SFT's early work was in setting up infrastructure delivery programmes. In recent years, we have invested more time in developing innovative approaches to allow infrastructure to be built and in making more effective use of the assets

we already have. We are increasingly engaged in enabling broader development and investment in Scotland's built environment and in the longer-term strategic planning of investment priorities.



The environment in which we work is ever-changing, with the megatrends of demographic and climate change and disruptors including Brexit and new technologies all to be factored in to infrastructure planning in Scotland. Of particular relevance to SFT's work:

- The Scotland Act (2012) has brought a new Fiscal Framework, with our public finances and capacity to invest now intrinsically linked to economic performance, making targeted investment to deliver economic and productivity gains more important than ever
- Following the 2016 independent review of the planning system, which indicated potential roles for SFT, the Planning (Scotland) Bill is progressing through Parliament
- In February 2018, Benny Higgins presented his Implementation Plan for a Scottish National Investment Bank (SNIB) to the First Minister; recommending as one element of its work a role as financier of low carbon, housing and other infrastructure to support longer-term transformative 'Missions' established by Government
- During 2018 the UK National Infrastructure Commission will publish its National Infrastructure Assessment setting out its view of UK's infrastructure needs and priorities to 2050 and strategic work will continue on refreshing Scotland's National Planning Framework and Infrastructure Investment Plan

Responding to this environment, SFT will remain at the leading edge of infrastructure planning, innovation, delivery and management with a clear focus on ensuring best value. During 2018/19 we expect to:

- Collaborate with Scottish Government planning team and stakeholders across the public and private sectors to drive evolution of infrastructure funding, financing and co-ordination required to support development
- Work with policy colleagues to apply our cross-sector perspective and delivery understanding to the strategic planning and prioritisation of infrastructure investment
- Innovate to turn policy Missions into investable propositions for the SNIB through commercial structuring and market understanding, bringing early opportunities for its precursor, the Building Scotland Fund
- Review and refresh our approaches to delivery as our early programmes mature; to ensure that leading practices are embraced and that our teams' talents are deployed to best support effective delivery and a vibrant construction industry in Scotland

Innovation will continue, and we are both ambitious and optimistic about these developments. SFT's Leadership Team will increase its focus on the future, and on working with colleagues across the public and private sectors to ensure that our particular talents are best deployed to meet the challenges and embrace the opportunities we face.

SFT build



Royal Edinburgh Hospital Campus

Public buildings that are well designed, safe, accessible, easy to maintain and efficient to run are valuable assets for local communities. The SFT Build programme is helping to deliver such buildings throughout Scotland. New schools and other community buildings accommodate a range of community uses including education, health and social services, sport and leisure and even local employment opportunities, increasingly under one roof. Within our Build workstream, SFT:

- Manage the **hub programme** which is based on a partnership approach between the public and private sectors with a clear focus on value for money. The five hub companies deliver new community facilities across Scotland and this year we expect to see 18 more hub projects completed and handed over and 19 start construction.
- Lead the £1.8bn **Scotland's Schools for the Future programme**. We work with every local authority in Scotland to deliver 117 schools in

the programme, helping them achieve the very best value from their school investment. This has been achieved by encouraging councils to work together, guiding them to adopt new and different design approaches to maximise functional space and supporting them to think differently to achieve better outcomes.

- Provide support and challenge to Scottish Government and to local authorities in the development of their plans to deliver the expansion of **Early Learning and Childcare** provision to 1,140 hours per child.
- Work to **assure and improve project planning and delivery**, for public buildings and infrastructure, by using our expertise to guide, support and challenge public bodies to add value and confidence to a wide range of projects.
- Lead the effort to embed **Building Information Modelling (BIM)** across the public sector. We work at the forefront of digital change, driving a vision that when infrastructure technology is applied correctly, it will deliver efficiencies within the whole lifecycle of a building and ultimately improve how public sector infrastructure delivers the required outcomes.
- Provide a centre of expertise in **PPP contract management**, undertaking training and support at the critical handover stage, and delivering in-depth reviews of operational projects to improve performance and deliver savings. We work with partners across Scotland, establishing a national approach to strategic, tactical and operational contract management.



Ayr Academy

OBJECTIVES FOR 2018/19

- See construction start on five revenue funded projects, valued at c. £200m
- Support delivery and handover into operation of seven completed revenue funded projects
- Provide programme level support across the partnership network in key improvement areas of the project development process, with particular focus on early stage project development, construction quality and operational readiness
- Have all remaining schools in the Scotland's Schools for the Future programme enter construction within Scottish Government budget
- Have 100 schools open
- Work in collaboration with Scottish Government and partners to support the development of the national Learning Estate Investment Plan
- Work in collaboration with Scottish Government and partners to support the development of the 1,140 hours early learning and childcare expansion programme
- Support the completion of the early learning and childcare reference designs and promote across local authorities
- Review position on three pathfinder legacy projects with regard to lifecycle replacement and future handback requirements
- Review opportunities, including provision of support on two pathfinder projects, for improving public sector capacity on managing major projects
- Build on the work of delivering well-designed community assets, targeting a step-change in improved performance
- Provide leadership and support across public sector to enable embedding of BIM
- Further develop the BIM programme to incorporate new and emerging data technologies focused on improving infrastructure performance
- Work with Scottish Government and other stakeholders involved in planning reform to progress key elements of infrastructure planning and delivery

SFT place



Asset Management

Scotland has made important advancements in the management, maintenance and use of public buildings to support the delivery of improved public services. The public estate is extensive and the clear focus now, is on making the best use of existing public assets and the disposal of surplus property.

A key challenge for all our public sector partners is the need to improve services to meet both current and future demands whilst achieving significant efficiency savings. This challenge has led to the development of transformational programmes with many public sector organisations taking a more ambitious look at how services can be delivered differently. To assist them make these changes, SFT brokers new collaborative options between partners, facilitates new approaches to strategic asset management, shapes change programmes, sets new benchmarks and champions the role of assets as a catalyst for delivering a raft of community and economic benefits.

By encouraging and supporting others to adopt a shared approach, SFT programmes will secure significant capital and revenue benefits as well as contributing to a lower carbon public estate.



Land

SFT continues to work with the public sector to dispose of public buildings effectively and efficiently to secure best value. There remains significant potential for the disposal of surplus public assets due to the remodelling of estates to meet changing service delivery needs together with major investment programmes across the public sector. The scale, nature and location of the assets vary but the common objective is to minimise revenue costs whilst securing best value for the public purse.

The approach being taken places significant emphasis on the preparation of sites for marketing and targeting resources to achieve efficient disposals and, where appropriate, also encouraging collaboration with key stakeholders and consideration of wider Government agendas such as community empowerment and the delivery of housing. It also seeks to improve the market perception and commercial potential of sites and encourages the sharing of lessons learned from disposals across the public sector as well as encouraging a programme approach to the process.



OBJECTIVES FOR 2018/19

- Provide leadership and challenge across the local estate to have in place five asset programmes to enable public service reform
- Support the start-up of Scottish Government's Smarter Workplaces Programme (second phase) and demonstrate that co-location opportunities and efficiency savings are being delivered
- Guide the production and approval of an estates strategy for Scottish Government, including the endorsement of a preferred model for its management
- Work with partners to assemble and deliver surplus property programmes to bring 15 assets to market
- Secure value from asset disposals in the form of capital receipts of £25m or equivalent for the public sector
- Identify opportunities for collaboration on other major asset disposals not currently included in our surplus property programme

SFT invest



Infrastructure investment is critical to supporting long-term economic growth.

In an environment where public finances remain constrained, innovating to secure new ways of funding and financing infrastructure to create additional investment can catalyse development activity to build confidence in places and create the right conditions for inclusive growth.

Innovative Finance

Our revenue funded programmes are now significantly advanced with £2.8bn of capital investment now under construction or completed across 47 projects. Of these, 25 revenue funded projects are now operational across the colleges, roads, schools and primary and acute health sectors and are supporting the delivery of vital public services.

Our team is exploring investment opportunities for innovative and collaborative structures and matching opportunities to public and private investment sources. This includes structuring opportunities which could be supported through the Building Scotland Fund which was announced in Scottish Government's 2018/19 draft budget as a precursor to the Scottish National Investment Bank.

Economic Investment

Our team supports the development and delivery of programmes which use publicly financed infrastructure investment to catalyse private investment and economic growth. We develop commercially viable structures, work with local authorities and other partners to prepare robust business cases and manage programmes of investment through approvals and into delivery.

For the year ahead, we will continue to support all signed Tax Incremental Financing and Growth Accelerator projects with an aim to reach agreement on at least two more innovative investment projects during 2018/19.

We will also continue to support up to six of the newly emerging growth deals across Scotland and, as additional programmes to stimulate inclusive economic growth continue to evolve, we will work with stakeholders to develop new approaches to deliver and support innovative economic investment.



OBJECTIVES FOR 2018/19

- Invest £2.1m across five revenue funded hub projects and manage the investment portfolio of over 40 projects to deliver target returns through SFT Investments
- Deliver an options analysis on structural opportunities for Local Government Pension Funds to invest in Scottish opportunities
- Support Scottish Government to source a pipeline for the Building Scotland Fund. Source a pipeline of five potential opportunities for support and structure one for final investment.
- Reach agreement on two further SFT led innovative economic investment projects
- Continue to support Scottish Government, UK Government and local authorities on wider City Deals' initiatives, taking forward at least six with an aim to finalise agreement on two of those
- Support authorities in delivering cumulative public enabling investment of £75m across the SFT initiated economic investment projects
- Work with Scottish Government and other stakeholders to develop innovative approaches to spatial inclusive growth investment and delivery, including consideration of key sectors for the Scottish economy

SFT home



Increasing the supply and improving the quality of housing across Scotland remains a key priority for us, with our housing team developing and delivering innovative approaches to increase the supply of affordable housing.

The delivery of 50,000 affordable homes by 2021 remains the focus of Scottish Government. This target includes 35,000 homes for social rent and 15,000 for other approaches to affordable housing such as mid-market rent and various forms of shared ownership. Our focus for the coming financial year is on the delivery of the 15,000 affordable homes rather than the social housing element. We will

therefore work to increase the supply of mid-market accommodation and continue to explore new forms of shared ownership with our stakeholders.

Over the past year we have been particularly pleased about our partnership with the City of Edinburgh Council which has established a new supply of mid-market rent accommodation as well as creating a new form of affordable market rent which will be accessible to all. This new Edinburgh Housing Delivery Partnership will provide at least 1,500 new high-quality homes in the capital over the next four years.

We will also continue to work with a number of local authorities, both rural and urban, to provide mid-market rent homes across Scotland as part of our National Housing Trust (NHT) programme.

The upfront provision of infrastructure remains a barrier to the development of larger sites and we will continue to work with our partners to find innovative and practical solutions that will enable more housing to be built.

Although our primary focus is on the provision of affordable housing solutions, we recognise the importance of increasing the housing supply across all tenures. To this end, we also look forward to engaging further with the private sector on at-scale “build-to-rent” developments and acting as the delivery partner of the Scottish Government’s Rental Income Guarantee Scheme to stimulate and give confidence to this new sector in Scotland.

OBJECTIVES FOR 2018/19

- Support all private and public sector housing joint ventures where we are a stakeholder and manage the in-year acquisition of 270 homes with a capital value of £51m
- Support the delivery of build-to-rent investment in Scotland, including the management of the Rental Income Guarantee Scheme, in order to see construction start during the year of circa 500 homes
- Building on the Edinburgh Housing Delivery Partnership, work with at least three local authorities to expand the approach to bring more new homes for rent to the market
- Work through the NHT exit process in order to maximise the retention or transfer of homes into affordable tenures and achieve positive outcomes for all stakeholders
- Continue to address gaps in the provision of affordable and market housing through innovative ideas and work with stakeholders to implement these

NHT affordable-rent homes in Newhaven, Edinburgh



SFT green



Our focus is to support the transition to a low carbon economy and to help Scotland reach its climate change targets. Not only does our work generate cost and carbon savings, but it supports local economic development and improves the quality of public buildings and assets.

Scotland's Energy Strategy was launched in 2018 with ambitious new targets including:

- By 2030, 50% of all heat, electricity and transport to be powered by renewable sources
- Improving the productivity of energy use across Scotland by 30% (getting 30% more output from the same input)

This strategy, together with wider initiatives such as the Scottish Energy Efficiency Programme (SEEP) and plans to introduce Local Heat and Energy Efficiency Strategies, place a sustainable, resource efficient, low carbon economy and society at the heart of Scotland's vision for the future.

By targeting investment towards low carbon projects, we:

- Release savings as seen in the street lighting programme
- Improve the fabric of our buildings and the user experience as seen with our energy efficiency projects
- Address wider social outcomes such as fuel poverty by assisting in the development of the Scottish Energy Efficiency Programme

The provision and use of energy and heat is an area of rapid change that has the potential to bring economic growth and improved environmental performance to the whole of Scotland. We are at the very heart of these developments and are working with our partners to move to a low carbon economy. The Low Carbon Infrastructure Transition Programme (LCITP), the SEEP and the Heat Network Partnership are some of the collaborative programmes through which we support projects and attract investment to this sector.



District heating system being installed in Edinburgh

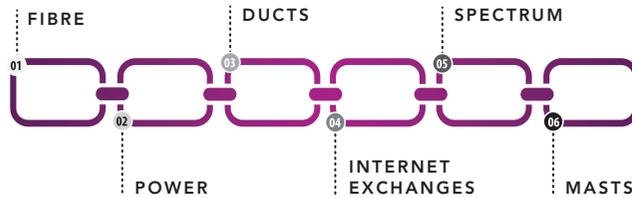
OBJECTIVES FOR 2018/19

- Lead the public sector workstream within the LCITP to deliver the pipeline of existing projects and £70m of further investment (including matched contributions)
- Support the development of nine Local Heat and Energy Efficiency Strategies and the delivery of low carbon heat projects
- Develop innovative approaches and provide ongoing expertise to enable successful delivery of Scottish Government's SEEP programme objectives
- To identify a range of actions required for new public buildings to be near zero-carbon by 2050 as detailed within the Climate Change Plan. To promote these actions, where appropriate, across SFT's programmes and to disseminate the findings to the wider stakeholder community to inform future programmes

SFT connect



THE SIX PILLARS



For any country, securing the very best digital connectivity is an essential part of creating a successful economy; as is the digital infrastructure that underpins that connectivity.

Our digital team is working with industry to ensure the right mechanisms, partnerships and commercial approaches are developed which will deliver a world-class telecommunication infrastructure for Scotland in a practical way.

Scotland has the ambition that every person living or working in the country has the opportunity to reap the social and economic benefits of being better connected. The benefits of such an ambition has been well documented, if Scotland was to become a digital world leader, over 5,000 new businesses and an extra 30,000 jobs would be created, thereby boosting our nation's economic output by £13bn.

Our six pillars approach, which is fundamental to ensuring Scotland's digital infrastructure can be

future-proofed as we move towards a 5G world, continues to shape our thinking, and during 2018/19 we will focus on targeted initiatives and programmes that will underpin this approach.

We continue to work closely with industry and academia to develop an implementation strategy that will support 5G research and investment, with a particular focus on rural and transport connectivity. The Scottish Innovation Programme which we lead on, offers the opportunity to trial new technologies and approaches, furthering coverage and connectivity and providing a testbed for the 5G world across Scotland.

As part of our wider support to the R100 programme (Reaching 100% - a commitment made by Scottish Government to get superfast broadband to all households by 2021), this year the 4G mobile infill programme will be procured and a delivery partner appointed that will be tasked with delivering up to £25m investment in rural mobile coverage.

Building on the progress made during 2017/18, an implementation plan will be developed to deliver growth in Scottish datacentre capability, as well as to attract new, international connectivity to the internet to support Scotland's capability.



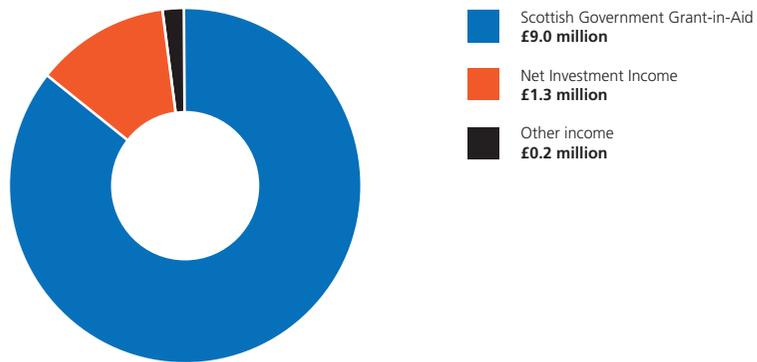
OBJECTIVES FOR 2018/19

- Complete the 4G infill programme's capital mast project procurement, to appoint a provider and, on behalf of Scottish Government, manage the delivery aspects of at least 16 identified mast sites and beyond that maximise up to £25m investment in mobile infrastructure
- Complete a 5G implementation strategy that will embed plans for 5G roll out across Scotland with a particular focus on rural and transport
- Support the development of at least two 5G demonstrator projects
- Complete an implementation plan for enhanced data centre and international connectivity capacity and capability for Scotland; identifying specific public-sector interventions which could be made and scoping/identifying delivery routes for these projects
- Continue to work with industry, regulators and the wider UK and Scottish public sector to encourage policy and regulatory interventions that stimulate and encourage increased digital investment across Scotland

Budget

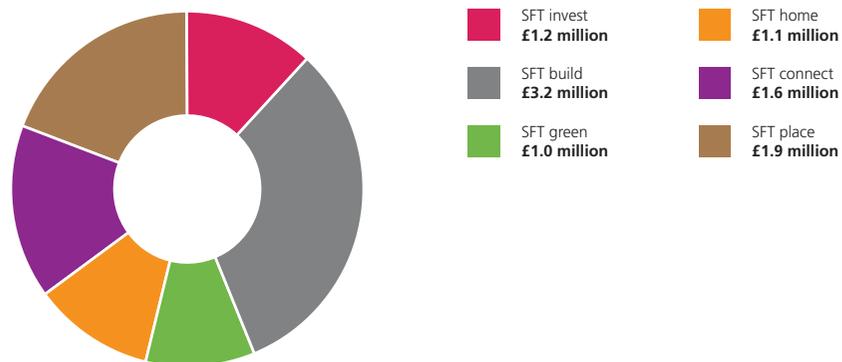
Our operational budget for 2018/19 is £10.5m and comes from the following sources:

SFT SOURCES OF INCOME 2018/19



Our funding will be applied to our work streams as follows, with a £0.5m allowance for emerging priorities and corporate contingency:

SFT EXPENDITURE 2018/19



Leadership Team

SFT is led by a seven-strong Leadership Team and you can contact them using their email addresses below.



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Dundee's V&A enabled through SFT's Growth Accelerator programme